

Program A: Property Taxation Regulatory/Oversight

Program Authorization: La. Constitution, Article VII, Section 18; R.S. 47:1831-1837.

PROGRAM DESCRIPTION

The Property Taxation Regulatory/Oversight Program is responsible for the administrative activities of the Louisiana Tax Commission (LTC), thereby, managing the fiscal and business affairs of the commission to assure compliance with all statutes relative to the duties and responsibilities of the commission. Through the Property Taxation Regulatory/Oversight Program, the commission conducts public hearings concerning appeals from taxpayers, assessors or tax recipient bodies. The commission also determines the tax assessment of all public service properties, insurance companies, and banks. Ratio studies are completed in all parishes or districts on an annual basis to insure uniformity of tax assessments. Random audits are conducted throughout the year by the audit staff as well as the public service division. Through the review of assessments, the commission will certify the assessment rolls and process all change orders submitted by the local assessors.

The Property Taxation Regulatory/Oversight Program in the Louisiana Tax Commission is composed of the following activities: Administrative, Appraisal, Public Service and Audit. The mission and goals for the Property Taxation Regulatory/Oversight Program are broken down by activity.

The mission of the Administrative activity is to manage fiscal and business affairs of the Louisiana Tax Commission and to offer leadership and guidance to other activities. This activity is also charged with hearing and deciding appeals of property valuations and clarifications. The goals of the Administrative program are: (1) to ensure compliance with all statutes relative to the duties and responsibilities of LTC; (2) to improve the image of the LTC; and (3) to promote the highest degree of voluntary compliance.

The mission of the Appraisal activity is to oversee the uniformity and accuracy of assessed values of parish assessing offices and provide local assessor assistance when requested. The goal of the Appraisal activity is to improve the quality of ratio studies and other appraisals performed as well as reduce the percentage of time currently allocated for these studies.

The mission of the Public Service and Audit activity is twofold. First, Public Service Section is to fairly and uniformly appraise and certify assessments of all public utility property in the State of Louisiana and to ensure compliance with Louisiana tax laws and policy with a comprehensive audit program. Second, the Personal Property Audit Section is to ensure that personal property and inventory reported to each assessor district is correct, uniform and consistent with Tax Commission rules and regulations. The goals of the Appraisal activity are; (1) to certify all public utility property annually and render these assessments to each parish by September 1; and (2) to ensure Louisiana Tax Commission rules and regulations are correctly applied in the determination of fair market value of public service property by administering an ongoing audit program of all personal and public service property.

OBJECTIVES AND PERFORMANCE INDICATORS

Unless otherwise indicated, all objectives are to be accomplished during or by the end of FY 2001-2002. Performance indicators are made up of two parts: name and value. The indicator name describes what is being measured. The indicator value is the numeric value or level achieved within a given measurement period. For budgeting purposes, performance indicator values are shown for the prior fiscal year, the current fiscal year, and alternative funding scenarios (continuation budget level and Executive Budget recommendation level) for the ensuing fiscal year (the fiscal year of the budget document).

1.(KEY) To hear 100% of all protest hearings within the tax year in which the protest was filed.

Strategic Link: This operational objective is related to the agency's Strategic Objective I.1. *To ensure compliance with all statutes relative to the duties and responsibilities of the Tax Commission.*

Louisiana: Vision 2020 Link: Not applicable

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

Explanatory Note: The Louisiana Tax Commission holds hearings for a variety of purposes. As the regulatory/oversight agency for ad valorem taxation, the Louisiana Tax Commission (LTC) is required to hold protest hearings when there is a tax dispute. In accordance with R. S. 49:951 et seq., the LTC must promulgate and adopt rules and regulations pertaining to property taxation. Hearings are a part of that rule-making process. The LTC completes 70 ratio studies each year. The commission is required to announce the ratio study results at a public hearing each year for each individual assessor. Protest hearings make up the majority of hearings. For example, in FY 1997-1998, the LTC held 260 protest hearings, 4 rules and regulations hearings, and 1 ratio hearing; in FY 1998-1999 there were 95 protest hearings, 4 rules and regulations hearings, and 1 ratio hearing; and in FY 1999-2000 there were 136 protest hearings, 4 rules and regulations hearing and 1 ratio hearing.

It is difficult to predict accurately the number of hearings that will be heard each year. In addition, some protests are settled without a hearing. However, regardless of the number of protest hearings that come before the Louisiana Tax Commission, the commission is committed to hearing all protests within the tax year in which the protests were filed. For the actual number of protest hearings that were completed from FY 1995-1996 through FY 1999-2000, see the General Performance Information table that follows Objective 2.

L E V E L		PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 11 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
	PERFORMANCE INDICATOR NAME						
K	Percentage of protest hearings completed within the tax year in which the protest was filed	100%	100%	100%	100%	100%	100%

2. (KEY) To conduct all bank and insurance company assessments, public utility company appraisals and assessments, and tax roll certification activities necessary to support local tax collection.

Strategic Link: This operational objective is related to the following components of the program's strategic plan: Goal I, Objective I.1 and Strategy I.1.3: *Perform annual assessments on banks, insurance companies, and financial institutions.*

Louisiana: Vision 2020 Link: Not applicable

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

L E V E L	PERFORMANCE INDICATOR NAME	PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE	ACTUAL YEAREND	ACT 11 PERFORMANCE	EXISTING PERFORMANCE	AT CONTINUATION	AT RECOMMENDED
		STANDARD	PERFORMANCE	STANDARD	STANDARD	BUDGET LEVEL	BUDGET LEVEL
		FY 1999-2000	FY 1999-2000	FY 2000-2001	FY 2000-2001	FY 2001-2002	FY 2001-2002
K	Percentage of banks and insurance companies assessed ¹	100%	83% ²	100%	100%	100%	100%
K	Percentage of tax rolls certified before November 15th of each year ³	Not applicable ⁴	100%	100%	100%	100%	100%
K	Percentage of public utility companies appraised and assessed ³	100%	100%	100%	100%	100%	100%

¹ The Louisiana Tax Commission (LTC) makes the assessment of banks and insurance companies annually for distribution to local assessors. With consolidations, mergers, and acquisitions, the number of banks and insurance companies fluctuates from year to year. This fluctuation makes it difficult to predict accurately the number of banks and insurance companies to be assessed each year. However, the LTC assesses all banks and insurance companies annually, regardless of the number of such companies. For historical information on the number of banks and insurance companies assessed as well as the assessed value of those banks and insurance companies, see the General Performance Information table that follows this objective.

² According to agency's FY 1999-2000 Fourth Quarter Performance Progress Report in LaPAS, the agency did not meet its performance standard due to the unexpected hospitalization of the employee who assesses the banks and insurance companies.

³ There are 70 local tax assessors in Louisiana. Prior to November 15th of each year, local tax assessors are required to submit their tax rolls to the Louisiana Tax Commission (LTC) for certification. Certification must occur before tax collectors can begin to collect taxes. Should it be necessary to correct or change an assessment after the rolls have been certified by the LTC, the assessor must submit a change order to the commission for approval. For historical information on the number of tax rolls certified and the number of change orders processed, see the General Performance Information table that follows this objective.

⁴ This was a new performance indicator for FY 2000-2001. It did not appear under Act 10 and has no FY 1999-2000 performance standard.

⁵ The Louisiana Tax Commission is charged with appraising and auditing all public service properties throughout the state. These properties are assessed by the LTC at the rate of 10% of fair market value of land, 25% of fair market value for all other property owned by public service companies, with the exception of airlines, railroads, private car companies, and electric cooperatives, which are assessed at the rate of 15% of fair market value. Each company's assessed valuation is distributed to the various local taxing jurisdictions. The tax dollars produced from assessments of public service properties remain in local parish coffers. Any major changes in reporting by a particular industry may trigger an audit of that industry. Audits are performed to assure compliance as well as to verify financial information. The number of public service audits that will produce revenue has decreased since all major industries have been audited and are now reporting correctly. For historical information on the number of public service appraisals and audits conducted, see the General Performance Information table that follows.

GENERAL PERFORMANCE INFORMATION: LOUISIANA TAX COMMISSION

PERFORMANCE INDICATOR	PRIOR YEAR ACTUAL FY 1995-96	PRIOR YEAR ACTUAL FY 1996-97	PRIOR YEAR ACTUAL FY 1997-98	PRIOR YEAR ACTUAL FY 1998-99	PRIOR YEAR ACTUAL FY 1999-00
Protest Hearings:					
Number of protest hearings completed	250	175	260	95	136
Assessments of Banks & Insurance Companies:					
Number of banks assessed	200	187	187	168	50 ¹
Assessed value of banks (in millions)	\$338.0	\$492.2	\$558.0	\$593.2	\$590.8
Number of insurance companies assessed	718	794	725	730	759
Assessed value of insurance companies (in millions)	\$41.6	\$50.4	\$50.4	\$56.3	\$56.0
Appraisal & Assessment of Public Utility Companies:					
Number of public service appraisals conducted	573	589	630	617	755
Number of public service audits conducted	50	14	2	5	4
Assessed value of public service properties (in billions)	\$2.492	\$2.732	\$3.180	\$3.125	\$3.180
Ad valorem taxes produced by public service properties (in millions)	\$249	\$273	\$318	\$313	\$318
Assessed value added to parish tax rolls (in millions)	\$21.1	\$3.3	\$6.5	\$7.4	\$7.5
Additional taxes realized by local government as a result of public service audits	\$1,674,091	\$1,294,000	\$697,164	\$601,370	\$773,675
Certification of Tax Rolls:					
Number of tax rolls certified	70	70	70	70	70
Number of change orders processed	29,000	36,365	34,845	36,026	28,796

¹ The number of banks assessed is significantly less than normal due to the unexpected hospitalization of the employee who assesses the banks and insurance companies.

3. (KEY) To conduct appraisals throughout the state to assist local assessors.

Strategic Link: This operational objective is related to the program's Strategic Goal I: *To ensure assessment uniformity and accuracy, we will improve the quality of ratio studies and other appraisals performed as well as reduce the percentage of time currently allocated for these studies.*

Louisiana: Vision 2020 Link: Not applicable

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

Explanatory Note: All ratio studies contain property appraisals. In addition, the Louisiana Tax Commission conducts appraisals at the request of local assessors or taxing bodies. Louisiana Tax Commission (LTC) staff assists local governments in the appraisal of major income-producing property, using the income approach to value. LTC staff continues to expand the appraisal program by including industrial property such as paper mills, grain elevators, and petro-chemical plants. Commission staff conduct complex appraisals of large statewide industrial facilities that are being added to the parish roll books upon completion of their ten-year industrial tax exemptions and provide data to parish assessors.

L E V E L		PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 11 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
K	Total number of property appraisals conducted ¹	6,000 ²	8,154	6,000 ²	6,000 ²	6,000	6,000
S	Number of ratio studies conducted ³	70	70	70	70	70	70

¹ The number of property appraisals varies from year to year due to the type of ratio study conducted (all ratio studies contain property appraisals) and the number of request from local assessors or taxing bodies.

² Although the FY 2000-2001 performance standard for this indicator is 6,000, the agency indicates the yearend target to be 6,200 in its FY 2000-2001 First Quarter Performance Progress Report.

³ Ratio studies are used by the Louisiana Tax Commission (LTC) to establish whether assessment values of real property are proper and uniform. Ratio studies are conducted in each parish annually; since there are 70 local tax assessors in Louisiana, this number remains constant at 70. However, because of new technological upgrades, the quality of such studies can and will be improved. All ratio studies contain property appraisals; the property appraisals associated with ratio studies are included in the total number of property appraisals conducted. Real estate appraisals used in the ratio study are representative of all different types of property found in the parishes. The estimates of values are determined and compared to the assessments. The assessed values should be within 10% of that indicated by the appraisals.

4. (SUPPORTING) To audit personal property request made by assessors throughout the state and conduct any related industry audits.

Strategic Link: This operational objective is related to the program's Strategic Objective II.1: *Operate an audit program which ensures that all public utility companies are on the tax rolls and that 375 personal property audits are conducted annually.*

Louisiana: Vision 2020 Link: Not applicable

Children's Cabinet Link: Not applicable

Other Link(s): Not applicable

L E V E L		PERFORMANCE INDICATOR VALUES					
		YEAREND PERFORMANCE STANDARD FY 1999-2000	ACTUAL YEAREND PERFORMANCE FY 1999-2000	ACT 11 PERFORMANCE STANDARD FY 2000-2001	EXISTING PERFORMANCE STANDARD FY 2000-2001	AT CONTINUATION BUDGET LEVEL FY 2001-2002	AT RECOMMENDED BUDGET LEVEL FY 2001-2002
	PERFORMANCE INDICATOR NAME						
S	Number of personal property audits conducted ¹	350 ²	53	30 ³	30 ³	20 ⁴	20
S	Additional tax added due to personal property audits	\$2,000,000	\$704,060	\$750,000	\$750,000	\$600,000 ⁴	\$600,000

¹ In FY 2000-2001, the method of calculation for this indicator was changed to reflect the number of taxpayers audited, regardless of the number of locations (or sites) that any audited taxpayer may have. Performance indicator values for FY 1999-2000 were calculated on the basis of number of taxpayer locations audited. The method of calculating this indicator was changed in order to be consistent with the way in which the Department of Revenue counts audits. Under the revised calculation methodology, personal property audits should maintain a level of 30 or so per year. The audits result from requests by assessors as well as LTC staff investigations conducted with the Department of Revenue.

² The FY 1999-2000 Yearend Performance Standard was calculated before the LTC revised the methodology of calculation. The former methodology used the number of locations or sites of audited taxpayers.

³ Although the FY 2000-2001 performance standard for this indicator is 30, the commission indicates in its FY 2000-2001 First Quarter Performance Progress Report that it currently anticipates the yearend figure to be 20.

⁴ Due to budgetary constraints and the number of auditors available to conduct audits the continuation level value is reduced from current year standard. By reducing the number of audits the additional taxes added due to these audits would also be reduced.

RESOURCE ALLOCATION FOR THE PROGRAM

	ACTUAL 1999- 2000	ACT 11 2000 - 2001	EXISTING 2000 - 2001	CONTINUATION 2001 - 2002	RECOMMENDED 2001 - 2002	RECOMMENDED OVER/(UNDER) EXISTING
MEANS OF FINANCING:						
STATE GENERAL FUND (Direct)	\$1,835,257	\$1,781,393	\$1,781,393	\$1,860,128	\$1,878,659	\$97,266
STATE GENERAL FUND BY:						
Interagency Transfers	0	0	0	0	0	0
Fees & Self-gen. Revenues	0	0	0	0	0	0
Statutory Dedications	447,841	610,913	610,913	510,913	510,913	(100,000)
Interim Emergency Board	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
TOTAL MEANS OF FINANCING	\$2,283,098	\$2,392,306	\$2,392,306	\$2,371,041	\$2,389,572	(\$2,734)
EXPENDITURES & REQUEST:						
Salaries	\$1,537,240	\$1,466,309	\$1,466,309	\$1,476,011	\$1,577,537	\$111,228
Other Compensation	5,862	0	0	0	0	0
Related Benefits	270,828	264,486	264,486	265,747	280,387	15,901
Total Operating Expenses	293,677	297,307	297,307	321,715	299,352	2,045
Professional Services	133,166	327,500	327,500	277,500	202,983	(124,517)
Total Other Charges	4,761	6,078	6,078	6,078	5,323	(755)
Total Acq. & Major Repairs	37,564	30,626	30,626	23,990	23,990	(6,636)
TOTAL EXPENDITURES AND REQUEST	\$2,283,098	\$2,392,306	\$2,392,306	\$2,371,041	\$2,389,572	(\$2,734)
AUTHORIZED FULL-TIME EQUIVALENTS: Classified	32	27	30	30	32	2
Unclassified	4	4	4	4	4	0
TOTAL	36	31	34	34	36	2

SOURCE OF FUNDING

This program is funded from State General Fund Direct and Statutory Dedications. The Statutory Dedications are derived from the Louisiana Tax Commission Expense Fund for fees assessed for audits and appraisals of public service properties, banking institutions, and insurance companies. (Per R.S.39:32B.(8), see table below for a listing of expenditures out of each Statutory Dedicated fund.)

	ACTUAL	ACT 11	EXISTING	CONTINUATION	RECOMMENDED	RECOMMENDED
	1999- 2000	2000 - 2001	2000 - 2001	2001 - 2002	2001 - 2002	OVER/(UNDER) EXISTING
La. Tax Commission Expense Fund	\$447,841	\$610,913	\$610,913	\$510,913	\$510,913	(\$100,000)

ANALYSIS OF RECOMMENDATION

GENERAL FUND	TOTAL	T.O.	DESCRIPTION
\$1,781,393	\$2,392,306	31	ACT 11 FISCAL YEAR 2000-2001
			BA-7 TRANSACTIONS:
\$0	\$0	3	Restored (3) three positions in the Audit Section
\$1,781,393	\$2,392,306	34	EXISTING OPERATING BUDGET – December 15, 2000
(\$671)	(\$671)	0	Annualization of FY 2000-2001 Classified State Employees Merit Increase
\$11,634	\$11,634	0	Classified State Employees Merit Increases for FY 2001-2002
\$845	\$845	0	Risk Management Adjustment
\$23,990	\$23,990	0	Acquisitions & Major Repairs
(\$30,626)	(\$30,626)	0	Non-Recurring Acquisitions & Major Repairs
\$65,534	\$65,534	0	Salary Base Adjustment
(\$34,668)	(\$34,668)	0	Attrition Adjustment
(\$37,017)	(\$37,017)	0	Salary Funding from Other Line Items
(\$755)	(\$755)	0	Civil Service Fees
\$13,700	\$13,700	0	Funding provided for computer maintenance and computer memory
\$0	(\$100,000)	0	Reduction in attorney fees on suits that have been settled
\$85,300	\$85,300	2	Funding provided for two (2) Tax Commission Specialist positions in the Public Service Division
	.		
\$1,878,659	\$2,389,572	36	GRAND TOTAL RECOMMENDED

PROFESSIONAL SERVICES

\$202,983 Legal and technical appraisal services including rendering opinions, drafting legislation, establishing and advising the Tax Commission with respect to the procedure and conducting of public hearings and tax appeal hearings, representing the commission in court in instances where the Attorney General is unable to do so and for assistance in litigation.

\$202,983 TOTAL PROFESSIONAL SERVICES

OTHER CHARGES

Interagency Transfers:

\$4,910 Civil Services Fees
\$413 Comprehensive Public Training Program Expenses

\$5,323 TOTAL INTERAGENCY TRANSFERS

ACQUISITIONS AND MAJOR REPAIRS

\$23,990 (9) Measuring wheel, (3) laptop computers, (4) desk, (2) scanners, and (1) bookcase

\$23,990 TOTAL ACQUISITIONS AND MAJOR REPAIRS